



AMERICAN PUBLIC GAS ASSOCIATION

March 7, 2017

The Honorable Secretary Rick Perry
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Perry:

On behalf of the American Public Gas Association (APGA), we welcome your leadership of the Department of Energy and look forward to working with you and your team. As you review policies and operations within the Department, we would like to highlight several issues related to the direct-use of natural gas.

APGA is the national association for publicly owned natural gas distribution systems. There are approximately 1,000 public gas systems in 37 states and over 730 of these systems are APGA members. Publicly-owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. They include municipal gas distribution systems, public utility districts, county districts, and other public agencies that own and operate natural gas distribution facilities in their communities.

The phrase "direct-use of natural gas" in part highlights the policy issue. It is important to distinguish between natural gas used to generate electricity and natural gas delivered directly to consumers for use in appliances and equipment in their homes and businesses. Over the last eight years our national energy policy was transformed into an ideologically driven environmental policy aimed at reducing, and in some cases eliminating, the direct-use of natural gas in favor of all-electric end use. This short-sighted approach ignores the benefits, both economic and environmental, that the direct-use of natural gas provides.

Since 2011 we have been forced to utilize extensive resources in pushing back against the DOE's flawed residential furnace regulation proposed by the Office of Energy Efficiency and Renewable Energy (EERE). The pending proposed rule will unnecessarily increase costs upon natural gas consumers. Unfortunately, this scenario has repeated itself many times over across a wide spectrum of home and commercial appliances.

One of the driving reasons why EERE has been promulgating flawed appliance efficiency rules has been its reliance on unreasonable assumptions and faulty modeling that aggrandize the purported economic benefits to consumers. More specifically, EERE's Life-Cycle Costing (LCC) analyses and Monte Carlo risk assessment rely on false assumptions. Instead of relying on actual consumer choices, DOE's models

randomly “assign” appliance installation or use scenarios without regard to the economic consequences of the installation. This implies that purchasers of a piece of equipment never consider the economics of their purchases (including initial cost, maintenance cost or cost of operation). The result is rules and standards that do not represent the actual market or consumer choice. Consequently, the purported consumer savings do not exist either.

By assuming consumers would not choose higher efficiency appliances when economically advantageous to do so, EERE cast consumers as irrational and uninformed. This bias undermines these standards.

EERE’s analytical problems appear to be systemic. The current modeling process has undergone significant changes over the last ten years without being peer reviewed, and it is clear that significant changes are now required. Most immediately, errors in DOE’s methodology completely invalidate the justification for the standards proposed in several pending rulemaking proceedings. We will be requesting that revised analyses be prepared in those proceedings to ensure that any new or amended standards are actually justified and will serve the public interest.

APGA and Spire raised this modeling issue in a February 9th Request for Error Correction regarding the Energy Conservation Standards for Commercial Packaged Boilers. Our request is still pending at DOE. Besides the rulemaking on Commercial Packaged Boilers, this error is also present in the following rulemakings, and likely several more:

1. Energy Conservation Program: Energy Conservation Standards for Commercial Water Heaters, Docket Number EERE–2014-BT–STD–0042
2. Energy Conservation Program: Energy Conservation Standards for Residential Furnaces, Docket Number EERE-2014-BT-STD-0031

In addition to correcting the flawed modeling, we recommend DOE consider the following improvements to its standards development process:

- Any and all potential changes in standards or testing procedures must be discussed with stakeholders prior to publication for comment. This could be done through Public meetings/Hearings and/or the Request For Information process;
- Any change to the test procedures for a piece of equipment must be finalized 180 days before a proposed energy efficiency standard is published;
- The National Academy of Science, EPA and DOE all endorse the application of the full-fuel-cycle measurement over the measurement of site energy (the energy consumed at the end use). Only in this manner may equipment for the various fuel types be compared to each other. The ability to compare energy use across energy types and use will give policymakers and the public another tool to understand how best to utilize our energy resources; and
- Reform energy price forecasting. It appears that DOE, as well as EPA and other agencies, have issued forecasts intentionally biased in a manner to support their ideologically driven regulatory agenda. Market pricing must be used when available. Scenario analysis, with wide ranging alternative pricing, should be utilized when market pricing is not available.

DOE's role in the model code development and adoption process also should be redefined. The ultimate goal of energy codes is to promote technologically feasible and economically justified energy efficiency measures. The current process has seen DOE advocating for ideologically-driven and harmful measures that unnecessarily increase costs upon homeowners, businesses and natural gas consumers as a whole. One way to eliminate the appearance of bias is to curtail DOE's participation and role as an advocate within non-governmental organizations and task groups; and, as voting members of these organizations. DOE's participation in national codes and standards activities (ASHRAE, ICC, etc.) should be limited to the objective presentation of peer reviewed research and analysis.

Because we serve and are accountable to the local community, our members understand that our customers want reliable and affordable energy. Unfortunately we have seen an increasing amount of efforts to curtail and eliminate affordable, reliable and clean energy in the form of the direct use of natural gas. From an environmental perspective, the irony of the whole debate is that promoting and removing the many barriers the natural gas industry faces will actually reduce CO2 emissions. The direct use of natural gas will also reduce known carcinogenic pollutants like mercury and lead as well as the known asthmatic air pollutants associated with smog.

In summary, we believe that the direct use of natural gas is in the best interests of the Nation. It is in the best interests of government efficiency and effectiveness for DOE to ensure that its appliance efficiency standards are based on sound science and provide actual net benefits to the public.

Sincerely,

A handwritten signature in black ink, appearing to read "Bert Kalisch". The signature is fluid and cursive, with the first name "Bert" and last name "Kalisch" clearly distinguishable.

Bert Kalisch
President & CEO
American Public Gas Association